

## MACEDONIA

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Capital: Skopje  
GDP per capita: \$1,700  
Population: 2,000,000

Inflation: 10%  
Unemployment: 34.5%  
Foreign Direct Investment: \$30,000,000

### OVERALL RATING: 4.6

As of September 2000, there were 3,977 NGOs registered in Macedonia under the 1998 Law on Citizen Associations and Foundations. Approximately 10% are considered to be active. There has been a steady increase in the number of active NGOs over the past two years, following the events in Kosovo in 1999 and increased levels of donor funding available for NGOs.

The vast majority of Macedonian NGOs remain institutionally weak. Business and professional associations remain at an incipient level of development. Both general and in-depth training in organizational management, strategic planning, and accounting remains a significant need for NGOs and associations alike.

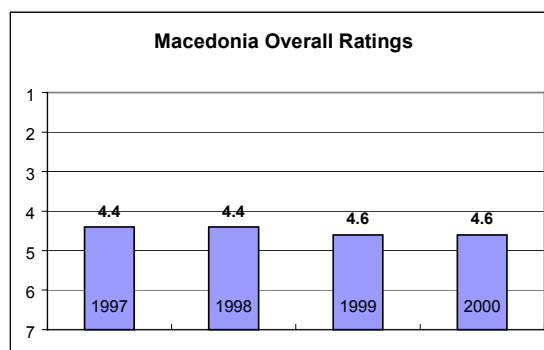
Macedonian NGOs survive primarily on grants from international donors, although some have begun to obtain limited resources from within their communities through fundraising, provision of local services, and charitable work. Ethnic differences continue to divide the sector, with limited communication and coordination among the groups. Nonetheless, to the extent that it does occur, the best examples of common actions across ethnic lines in Macedonia are found in the NGO sector.

On the positive side, the legal environment for NGOs is relatively good. A new Law on Citizen Associations and Foundations, enacted by Parliament in June 1998, now regulates NGOs. NGOs have had to reregister, a relatively straightforward process but one that suffered delays in the capital and larger towns due to a judicial system that is overburdened and uninformed about the new registration requirements. NGO tax issues have not been dealt with in a systematic manner, but new legislation regarding VAT contains reduced rates for NGOs. Much remains to be done regarding tax benefits for NGOs.

### LEGAL ENVIRONMENT: 3.0

The Law on Citizen Associations and Foundations was enacted by the Parliament in June 1998. The enactment of this law significantly improved the NGO legal framework by liberalizing the

operating environment for NGOs in Macedonia. The law is considered to be one of the most progressive in the former Yugoslavia. Nonetheless, there are several problems with it, including a



prohibition on NGOs engaging in direct economic activities and a provision that prohibits legal entities from founding associations. An official commentary on the NGO law was prepared; and is used by NGO representatives, judges, and lawyers as the standard text for interpreting the NGO law.

Implementation problems observed during the year following enactment of the law have been dealt with satisfactorily. The most notable problem was the mandatory re-registration of NGOs located in the capital. Many groups faced lengthy delays, which were largely due to an excessive caseload and lack of understanding of the new requirements among the presiding judges, rather than purposeful interference with the process. The registration process has improved over time as the judges have become accustomed to their new role, and there have been no reports of any organizations being denied registration without justification.

There has been a significant increase in local legal capacity in recent years. There exists a core group of NGO law specialists who are trained in and familiar with NGO law. Over the past year, a series of training courses on NGO law for judges and legal professionals has taken place. However, NGOs need training to better

understand the laws that regulate the sector. The Law Faculty of St. Cyril and Methodius University has agreed to integrate NGO law into the curriculum. Outside the capital, however, legal capacity remains limited.

The fiscal enabling environment for NGOs in Macedonia is poor even by regional standards. The only types of organizations that are tax-exempt under all circumstances are certain enterprises for professional rehabilitation and employment of disabled people. Other legal entities, such as those aimed at protecting the environment, may receive reductions in their tax base for certain expenditures. As a practical matter, however, NGOs are not required to pay taxes on grants or contributions. One of the most significant obstacles to NGO financial sustainability is that NGOs may not directly engage in economic activities. NGOs also do not receive any preferential treatment under the VAT laws. The Open Society Institute-Macedonia (OSI) is organizing an NGO tax/fiscal initiative and will convene a team of experts to examine the current tax/fiscal framework, including customs duties exemptions, profit tax exemptions, VAT issues, and incentives for private philanthropy. The working group will then propose legislative changes.

### **ORGANIZATIONAL CAPACITY: 4.0**

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While the NGO sector remains weak in areas of organizational capacity including strategic planning, management, staffing, technical resources, and constituency building, there have been some positive steps forward in the past year. Most NGOs have mission statements, although these are often very broad. Most NGOs understand the need for strategic planning; however, few actually apply

strategic techniques in their decision-making processes and operations. Most NGOs are one-person operations, and therefore lack solid internal management structures. Nonetheless, model NGOs do exist throughout the country—mostly in the form of small, efficient groups that are addressing community needs. The leading NGOs in the country, for the most part, have internal management structures and

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differentiate between the roles and responsibilities of the Board of Directors and staff. In terms of staffing, there is improvement from last year in that more NGOs have paid staff. However, in most cases they are employed on a by-project basis.

While constituency-building efforts are limited, there have been several initiatives in the past year, which indicates that the NGO sector is beginning to understand the importance of building constituent support for its activities.

### FINANCIAL VIABILITY: 5.0

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International funding remains the primary source of revenue for NGOs in Macedonia. The difficult economic conditions in Macedonia (official figures put unemployment at 36 percent) impede philanthropy among businesses and individuals. Given the prevalence of foreign funding available, NGOs are not compelled to think about other funding sources. While economic conditions for fundraising are poor, there are numerous reports of NGOs successfully seeking funds from their local communities. In general, however, fundraising techniques are not widely understood. NGOs for marginalized groups such as women and Roma have a particularly difficult time raising funds, and very few NGOs have a strategic approach to fundraising. Macedonian NGOs are beginning to explore various revenue-raising techniques—but they tend to look to their membership or immediate constituency

as their market and do not consider the wider market demand for products and services.

Internationally acceptable accounting procedures have not been introduced in Macedonia in general. NGOs use financial management and accounting as a way to meet donor requirements but do not see these mechanisms as a means to increase the transparency of their own operations. Many NGOs do not share financial information with their membership or the public, which can lead to suspicion about the use of funds. It should be noted that NGOs are not alone in their need to improve accounting standards—the business sector faces similar problems. However, an additional challenge for NGOs is that they are expected to act professionally in financial accounting without the benefit of full-time professional staff.

### ADVOCACY: 4.5

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Due to the incipient nature of organizational development and the limited understanding of the transformative role that NGOs can play in society, advocacy skills remain relatively undeveloped. While NGOs generally need more information about the importance of advocacy and lobbying, examples of advocacy do exist, particularly at the local level. There have also been several national initiatives—most notably in the areas of domestic violence, women's political participation, and human rights—that have been successful in raising public awareness and, in some cases, passing legislative or policy changes. In one case, a small, vocal, and politically well-connected NGO called ESE, lobbied for the passage of legislation to bring Macedonia's domestic violence laws into compliance with international standards. Another important initiative was undertaken by a coalition of 54 women's NGOs in advance of the local elections in

September 2000. These NGOs joined together to lobby the political parties to live up to their promise of increasing women's participation in party structures, and to increase women's participation in elections in general. They were successful in getting political parties to increase the number of women included on the party lists for municipal councils, and hence the number of women elected. They also succeeded in their efforts to get more women to vote.

There are no official constraints on NGOs' direct communications with public officials at either the local or the national level, and many Ministries now have official NGO contact points. However, communication is often led by a powerful personality rather than by the NGO as an organization. The effectiveness of such communication varies widely, based on the nature of the NGO and the particular government official.

### SERVICE PROVISION: 5.5

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On the whole, the Macedonian NGO sector is very weak in its capacity to deliver services, with the notable exception of humanitarian assistance provided during the Kosovo refugee crisis in 1999. This weakness can be attributed to several causes that stem from a general lack of understanding among the general public, business, government, and the NGO sector itself of the role NGOs play in a civil society. For example, most NGOs do not have a sense of the demand for services among their immediate constituency or in the country. NGOs tend to focus upon what they can offer rather than what the community or sector needs. When services are provided, there is a gap between NGOs'

abilities to serve members versus the larger public.

Providing services for a fee is a new concept for Macedonian NGOs; and due to the country's weak economy, few people are able to pay for products and services. As a result, very few groups are able to recover costs in this way. Instead, NGOs focus on obtaining grants from outside donors to support themselves and sustain their activities.

NGOs' lack of understanding about the role that they can play in providing services is compounded by government's lack of understanding of the role of NGOs in general. While NGOs are legally allowed to bid on government procurements that fall within their

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missions, this does not occur in any broad sense. The positive role that NGOs played in providing humanitarian support during the Kosovo crisis helped to highlight the service provision role

NGOs can play. The potential of NGOs is now clearer to government, but indigenous re-source levels are so low that such activities are still not widespread.

### INFRASTRUCTURE: 5.0

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Over the past year, there has been little improvement in the infrastructure supporting the NGO sector. Donors are just beginning to support the development of infrastructure and there is little indigenous support.

A particular area of weakness is the development of intermediary support organizations (ISOs), which now meet only a fraction of the overall need for training and assistance. The Macedonia Center for International Cooperation (MCIC) provides grants and technical assistance to a portion of the sector and maintains a small service center to attend to the basic informational needs of its NGOs. The local branch of the Regional Environmental Center, located in Skopje, offers support services to the environmental community. The Open Society Institute (OSI) has plans to open some NGO resource centers around the country within the next year.

Observations by NGO leaders indicate that the NGO community is not utilizing the resource centers that do exist as much as was expected. The reasons for this are unclear, but contributing factors may include the general disinclination of NGOs to work with other groups and the relative ease of access to information through informal channels in a small country.

While training materials exist in local languages and basic NGO management

training capacity exists in Skopje, the existing core of local practitioners and trainers available to the NGO sector remains limited. In particular, there remains a great need for expertise in areas such as strategic planning, financial management, and revenue raising.

NGO networking remains very weak in Macedonia, sometimes due to ethnic differences. The Kosovo crisis led to jealousy between groups that received significant donor funding and those that did not, and there is a general impression among ethnic Macedonian NGOs that foreign assistance has disproportionately favored ethnic Albanian NGOs. The NGO networks that do exist are generally based on ethnic ties, political affiliations, or social relations. However, there are several examples of NGOs cooperating on issues that cross ethnic divides. Examples include the NGO coalition working for passage of legislation on domestic violence; the women's political participation initiative; and the NGO domestic observation effort, which united NGOs from all over the country to monitor local elections.

With respect to intersectoral partnerships, there appears to be willingness on the part of government officials to engage the NGO sector, but not necessarily to provide it with resources. Government has sought the expertise of specific NGOs at the local level in a few cases.

### PUBLIC IMAGE: 5.0

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Despite increased media coverage over the past two years, public awareness about NGOs remains low. This is in large part due to the strongly centralized and politicized system that exists in Macedonia. People still look to the government to solve their problems, and NGOs have not been successful in demonstrating that they are an effective alternative.

The government and business sectors' perception of NGOs tends to be fairly neutral. They see NGOs neither as resources nor as threats. Over the past few years, NGOs have had some degree of success in raising awareness about the role of NGOs in their respective areas. The Kosovo crisis was

also important in raising public awareness about the role of a few NGOs in the humanitarian sector.

Every major newspaper now has a reporter dedicated to covering NGOs, and stories about NGOs are found in all state and independent media outlets. However, since the overall quality of journalism is low, stories about NGOs tend not to be written clearly and contain little analysis. Recent local-level growth among NGOs may create an enhanced public image for the sector, particularly for those NGOs able to deliver the necessary basic services that government is unable to provide.